

Message Text

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ACTION EUR-25

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R 301207 Z MAR 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 9837

AMEMBASSY BELGRADE

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY LONDON

US MISSION OECD PARIS 1416

UNCLAS STOCKHOLM 1104

E. O.11652: N/ A

TAGS: EFIN SW

SUBJECT: CHICAGO BANK REQUESTS PERMISSION TO OPEN REPRESENTATIVE
OFFICE IN STOCKHOLM

1. LOCAL PRESS REPORTS THAT FIRST NATIONAL BANK OF CHICAGO HAS MADE FORMAL APPLICATION TO SWEDISH BANK INSPECTION BOARD FOR PERMISSION TO OPEN A REPRESENTATIVE OFFICE IN STOCKHOLM ON MAY 1. BOARD HAS REQUESTED OPINION OF BANKERS ASSOCIATION.
2. CHAIRMAN OF BANK INSPECTION BOARD IS QUOTED AS STATING THAT HE RECOGNIZES THAT ANY DECISION HE MAKES WILL SERVE AS PRECEDENT FOR OTHER SIMILAR APPLICATIONS IN FUTURE. PRESS ALSO DESCRIBED CURRENT PRACTICE OF MANY US BANKS WITH BRANCHES IN LONDON OF SENDING TRAVELING REPRESENTATIVES TO SWEDEN TO VISIT CLIENTS AND TO SOLICIT NEW CLIENTS.
3. IN CONVERSATIONS WITH EMBASSY OFFICER, LOCAL BANK CONTACTS EMPHASIZE THAT TRAVELING REPRESENTATIVES OF US BANKS WITH BRANCHES IN LONDON AND FRANKFURT ALREADY KNOW LIMITATIONS ON THEIR ACTIVITIES. THEY MAY NOT UNDER SWEDISH LAW, " ENGAGE IN BANKING BUSINESS," I. E. CONCLUDE TRANSACTIONS. THEY CAN ONLY DISCUSS PROPOSALS AND REFER THEM TO THEIR HEAD OFFICES (IN LONDON, UNCLASSIFIED

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FRANKFURT OR US AS CASE MAY BE) FOR FINAL DECISIONS.

SWEDISH LAW APPEARS CLEAR THAT NON- SWEDES MAY NOT ENGAGE IN BANKING BUSINESS IN SWEDEN. THERE ARE NO FOREIGN- OWNED BANKS IN SWEDEN WHICH ACCEPT DEPOSITS AND ENGAGE IN OTHER NORMAL BANKING BUSINESS. PRESUMABLY REPRESENTATIVE OFFICES, IF PERMITTED, WILL BE SUBJECT TO SAME RESTRICTIONS. ONE LOCAL BANKER KNEW OF ONE YUGOSLAV BANK (BANK OF LJUBLJANA?) WHICH HAS REPRESENTATIVE OFFICE HERE TO HELP YUGOSLAV WORKERS WITH REMITTANCES.

4. LOCAL SOURCES SAY THAT OVER LAST DECADE US BANKS HAVE CONSIDERED ESTABLISHMENT OF REPRESENTATIVE OFFICES HERE BUT DECIDED AGAINST IT, PRESUMABLY BECAUSE OF TAXES AND OTHER LOCAL EXPENSE, PREFERRING TO SEND TRAVELING REPRESENTATIVES FROM LONDON OR FRANKFURT. SOURCES NOTE, HOWEVER, THAT SWEDISH AUTHORITIES WILL HAVE DIFFICULTY IN FINDING VALID REASON TO DENY FIRST NATIONAL' S APPLICATION. THEY ADMIT THAT SKANDINAVISKA ENSKILDA BANKEN AND SVENSKA HANDELSBANKEN NOW HAVE REP OFFICES IN NEW YORK (ALTHOUGH FORMER IS ABOUT TO BE CLOSED) AND THAT RECI- PROCITY WOULD DEMAND PERMISSION FOR US BANKS TO SET UP OFFICES HERE.

5. COMMENT: SWEDISH BANKING COMMUNITY IS AWAITING DECISION OF BANK INSPECTION BOARD WITH TREPIDATION. WHILE PUBLICLY NEUTRAL, SWEDISH BANKS ARE OBVIOUSLY WORRIED BY PROSPECT OF STIFFER COMPETITION FROM LARGE AMERICAN BANKS IF THEY HAVE REPRESENTATIVES ON SPOT. SINCE A FAVORABLE GOS DECISION WOULD REPRESENT A PRECEDENT FOR OTHER FOREIGN BANKS, SUCH A DECISION WILL NOT BE AN EASY ONE TO TAKE. IN AN APPARENTLY RELATED ACTION, GAYLORD FREEMAN, CHAIRMAN OF FIRST NATIONAL OF CHICAGO, PLANS TO VISIT STOCKHOLM IN MAY AND HAS AGREED TO SPEAK TO THE AMERICAN CLUB HERE ON MAY 30.
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